

VZCZCXRO3727
PP RUEHDE RUEHDIR
DE RUEHRH #0293/01 0521353
ZNY CCCCC ZZH
P 211353Z FEB 08
FM AMEMBASSY RIYADH
TO RUEHC/SECSTATE WASHDC PRIORITY 7789
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
RUEHMK/AMEMBASSY MANAMA PRIORITY 2371

C O N F I D E N T I A L SECTION 01 OF 02 RIYADH 000293

SIPDIS

SIPDIS

E.O. 12958: DECL: 02/21/2018
TAGS: [ECON](#) [EFIN](#) [EINV](#) [PGOV](#) [PINR](#) [SA](#)
SUBJECT: BILLIONAIRE AL-SANE,A ON INVESTMENTS, ECONOMY

REF: A. 05 RIYADH 08581
[1](#)B. 07 RIYADH 01058

Classified By: Consul General John Kincannon for Reasons 1.4 (b) and (d)
)

[1](#)1. (C) SUMMARY: On February 18, 2008, Ambassador Fraker met with Ma'an al-Sane'a in the Saudi billionaire's elaborate al-Khobar offices. During the meeting, the Saad Group Chairman revealed various aspects of his current business plans, most notably his company's lower leverage profile, new two billion USD joint venture with Goldman Sachs, and plans for development in Bahrain. Al-Sane'a also speculated on the fate of world markets, which he believes will begin to regain strength starting in March or April of this year. When asked about which of his many projects he was most excited, al-Sane'a spoke of Saad Hospital, the flagship medical facility in the Eastern Province, and its plans for a new Oncology Center, broader expansion, and increasing technological investments. END SUMMARY

SAAD GROUP HOLDINGS

[1](#)2. (C) During his February 18 meeting with Ambassador Fraker, Saad Group Chairman Ma'an al-Sane'a stated that his company's total current holdings are in the range of 58 billion USD, of which approximately 27 percent is leveraged. This contrasts with the public image of al-Sane'a as the being the master of highly leveraged deals, a practice he seems to be curtailing. Al-Sane'a stated that his reduced use of leverage was largely dictated by a desire to maintain his subsidiaries' rating status. Moody's currently has the Saad Trading, Contracting and Financial Services Company (STCFSC) rated at Baal. Standard and Poor's currently has another Saad Group subsidiary, the Saad Investments Company Limited (SICL), rated at BBB for long-term, A-2 for short-term (NOTE: According to a May 2007 Moody's Credit Opinion, STCFSC and SICL account for 90 percent of Saad Group's debt. END NOTE). STCFSC Chief Financial officer Maan Al-Zayer stated that the group's leverage profile was previously in the range of 40 percent. Despite the goal of maintaining the current levels of overall company leverage, Al-Sane'a added that he is currently interested only in deals in which the Saad Group provides 50 percent or less of the necessary capital.

[1](#)3. (C) Ma'an revealed that his newest investment project is a likely two billion USD partnership with Goldman Sachs - in which each side will provide half of the capital - to invest in an unnamed United States company. Al-Sane'a also said that he directly owns over four percent of Blackstone, though he stays under the critical five percent mark that requires filing with the Securities and Exchange Commission. Additionally, al-Sane'a stated that Saad group has a certain amount of money that is invested in Blackstone funds. The controversial former Kuwaiti fighter pilot also spoke about his stakes in HSBC (approximately 3.1 percent, bought for 6.6

billion USD in 2007) and Morgan Stanley (approximately three percent and being slowly and quietly amassed under the public radar).

BAHRAIN INVESTMENT

¶4. (C) The centerpiece of the Saad Group's holdings in Bahrain is the wholly owned Awal Bank, which was incorporated in 2004 and as of 2007 had total assets of over four billion USD. Al-Sane'a, who has previously stated to post his belief in Bahrain as "the next Dubai" (Reftel A), elaborated on his plans for expansion in the island nation. Al-Sane'a also told the Ambassador that he would be moving the Saad Group's corporate operations to Bahrain where they will be opening a 12-floor management office and a 100-floor dual-use residential/commercial tower, both located in the Bahrain Financial Harbor. Al-Sane'a said that the company is currently awaiting the results of a pile test to set a date for ground-breaking on the tower; the Saad Group Chairman estimated construction time at approximately 2 years, noting that the building permit allows for a construction time of up to 4 years.

MA'AN'S VIEWS ON MARKETS, REGIONAL BANKS

¶5. (C) When asked his views on the current state of the global economy, al-Sane'a offered that he sees global markets beginning to recover in the March/April timeframe. Al-Sane'a pointed to the day's rumor that the Royal Bank of Scotland (RBS) would only announce approximately 500 million GBP in

RIYADH 00000293 002 OF 002

write-downs in its February 28 market update, as opposed to the over 1 billion GBP that had been expected. Al-Sane'a stated that RBS stock was up 6 percent for the day due to this speculation (NOTE: RBS.L finished the day up 2.8 percent. END NOTE). Further, CFO al-Zayer added that the current HSBC market price has already incorporated approximately 40 billion USD in write-offs, meaning that despite the 10 - 15 billion USD that the bank has already been written off, HSBC still had a considerable cushion with which to work.

¶6. (C) On the topic of the Saudi stock market, known as the Tadawul All-Share Index (TASI), al-Sane'a said that there was simply too much volatility, and that a great deal of it was caused by speculation. Even compared to other markets in the region that are similarly thin and illiquid, al-Sane'a said that the TASI was particularly unstable, and questioned what institutions or individuals might be behind such large fluctuations. The Saudi market gained over 40 percent in calendar year 2007, after dropping more than 50 percent in value in 2006. COMMENT: Many rumors in the Kingdom assert that al-Sane'a himself, working in tandem with other large investors, may be significant "market movers." END COMMENT.

¶7. (C) Boding well for the financial health of Gulf economies, al-Sane'a did not believe the sub-prime crisis would have profound repercussions for many regional banks. As most Gulf-based banks are not sophisticated enough to have had significant exposure to the sub-prime mortgage market, al-Sane'a believed that there would be few problems with the stability and capital bases of local institutions. Ma'an said that the bank that will be most affected by the crisis is the National Commercial Bank, the largest bank in the Middle East in terms of capital, which will write off approximately 500 million USD.

EXCITED ABOUT MEDICINE

¶8. (C) When asked by the Ambassador which of his many projects excited him the most, al-Sane'a responded that the new developments in Saad Hospital were of greatest interest. CEO of Saad Hospital and al-Sane'a Senior Adviser Michael Beckley, an American citizen, said that thanks to major investment in new technologies, Saad Hospital has now moved into the realm of predictive medicine. This new technology will allow the private hospital, already considered the best medical facility in the Eastern Province (EP), to forecast the onset of ailments such as liver disease and breast cancer before the appearance of traditional symptoms. Saad Hospital is the only medical facility in Saudi Arabia with this capability. Al-Sane'a also commented on the upcoming expansion of Saad Hospital that will include an Oncology Center in the EP, a day clinic in Jubail, and plans to build a new world-class hospital in Riyadh. COMMENT: Some say that al-Sane'a plans to buy Kingdom Hospital from Prince Waleed bin Talal. END COMMENT.

ODDS AND ENDS

¶9. (C) Ma'an said that he owns a house in Riyadh that borders the Ambassador's residence. Al-Sane'a said he lives across the street from Prince Naif bin Abdulaziz, information that would seem to further the idea that the two are close associates. Post had previously learned that al-Sane'a traveled to the Caribbean with the Minister of Interior in summer of 2007, this after Ma'an had supposedly been prohibited from traveling while under investigation (Reftel B).

¶10. (C) In addition to the investments previously listed, the Saad Group is also in the process of developing a 1,000-unit, beach-front community in the Half Moon Bay area of al-Khobar.

¶11. (C) Attending the meeting were, from the Saad Group: Saad Chairman Ma'an al-Sane'a, CFO Maan Al-Zayer, Deputy CFO Salah al-Naji, and Saad Hospital CEO and al-Sane'a Senior Adviser Michael Beckley; from the U.S. Mission: Ambassador Ford Fraker, Consul General John Kincannon, Commercial Counselor Nasir Abbasi, Commercial Consul Geoff Cleasby, and Political/Economic Officer Matthew Tolliver.

(APPROVED: KINCANNON)
FRAKER